



Request for City Council Committee Action From the Finance Department

Date: December 4, 2002
To: Ways and Means Committee
Referral to: None

Subject: Annual Property Insurance Premium for the Mpls. Convention Center, Talmadge Building, and Parking Ramp

Recommendation: To authorize the City's Finance Officer to review options for property insurance for the Convention Center (including the Talmadge Bldg. and the Ramp) for 1-1-03 coverage. Accept the Zurich Insurance quote of \$336,804 plus the Mpls. Surcharge and lock in the binder for the 2003 property coverage. Reject the quote for additional terrorism coverage. This will impact Fund 0760, Agency MCCD, Org 865A, Object Code 6080, Sub-Object Code 05 for the Convention Center's Insurance.

Previous Directives: None

Prepared or Submitted by:

Ellen Velasco-Thompson, Director of Risk Mgmt. 673-3994

Anthony Lopez, Exec. Director of the Mpls. Convention Center, 335-6031

Approved by: Patrick Born, City Finance Officer _____

John Moir, City Coordinator _____

Presenters in Committee: Ellen Velasco-Thompson, Director of Risk Mgmt.
Anthony Lopez, Exec. Director of the Mpls. Convention Ctr.
Judy Corradi and Dan Dunnigan, Marsh USA, Inc.

Financial Impact (Check those that apply)

☒ **X** No financial impact - or - Action is within current department budget.

(If checked, go directly to Background/Supporting Information)

☐ Action requires an appropriation increase to the Capital Budget

☐ Action requires an appropriation increase to the Operating Budget

☐ Action provides increased revenue for appropriation increase

☐ Action requires use of contingency or reserves

☐ Other financial impact (Explain):

☐ Request provided to the Budget Office when provided to the Committee Coordinator

Community Impact (use any categories that apply)

- ☐ Neighborhood Notification
- ☐ City Goals
- ☐ Comprehensive Plan
- ☐ Zoning Code
- ☐ Other

☒ Not applicable

Background/Supporting Information Attached:

The Zurich renewal rate increase of 7% is quite attractive in light of the claims paid over the length of the relationship, including the large sprinkler leakage claim (\$2 Million Estimate) in March 2002. Due to this sizable loss, a joint agreement between the Minneapolis Convention Center and Marsh was reached to renew with Zurich rather than market this policy. Zurich indicated early in the process that they wanted to continue the relationship and that they would mitigate rate increases to the extent their reinsurers would do so. The resulting premium is an excellent result in this marketplace, where 10-15% increases over 2002 are common for good risks with favorable experience.

Key enhancements include the offer to provide an Agreed Amount Valuation endorsement and the willingness to negotiate increases in sublimits. A Boiler and Machinery sublimit of \$100,000,000 is a key limitation that has been added to the policy.

In response to the Terrorism Risk Insurance Act of 2002, Zurich is offering coverage for losses resulting from terrorism for an additional charge. There are two components to this coverage and separate charges for each. The first addresses losses as defined in the Act and the second addresses acts of terrorism not defined in the Act. For example, acts committed by an individual acting on behalf of any foreign person or foreign interest are defined in the Act, whereas acts committed by an individual independent of any foreign person or foreign interest are not defined in the Act. The additional cost of \$805,000 dwarfs the renewal property premium of \$336,804.

We continue to negotiate this premium towards a more reasonable number and will report regularly to the City Council and the Minneapolis Convention Center any new information, as it becomes available.

In summary, we feel this outcome verifies the strong relationship between Zurich, Minneapolis Convention Center and The City of Minneapolis. These results also verify the excellent efforts of the Convention Center Staff in maintaining a safe, secure, state of the art facility. We encourage the continued excellent protection and security measures by the Minneapolis Convention Center to maintain the underwriting comfort level Zurich has demonstrated.